

SPEND ANALYSIS AS A STRATEGIC COST ADVANTAGE DRIVER IN SUPPLY CHAIN MANAGEMENT

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Abstract

Procurement and Supply Management function plays a key role in manufacturing as well as services supply chains. Over a period of time, the function tends to become a support function to areas such as production, services, quality, maintenance and other key line functions and continues to perform a transactional role.

While in an upward inclined economy, most organizations focus on value creation through top-line growth, aggressive marketing plans, extensive ATL communications and new product launches, there is always an opportunity to unlock potential value through cost reduction initiatives in the procurement and supply management area to register higher levels of operating profits. The need to undertake such strategic cost reduction programmes becomes even more pronounced during downturns, when opportunities to grow by the top-line diminish and the organization may compete in the marketplace by harnessing the cost advantage and being more profitable than peers.

This paper discusses Procurement Spend Analysis as a technique and tools to achieve cost advantage in the supply chain. Organizations derive potential benefits from undertaking such strategic cost reduction programmes to provide impetus to its bottom-line. The experience of the authors gathered from industry and consulting engagements is brought forth in the paper.

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